

State of Alaska FY2008 Governor's Operating Budget

Department of Transportation/Public Facilities State Equipment Fleet RDU/Component Budget Summary

RDU/Component: State Equipment Fleet*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Replace, maintain, and manage state-owned vehicles, equipment, and attachments for safe and appropriate use.

Core Services

- The State Equipment Fleet (SEF) is responsible for the management, maintenance, and inventory of all state vehicles, equipment, and attachments assigned to state executive branch agencies. Vehicle licensing and titling services are provided to the Legislature, Alaska Court System, University of Alaska, and Alaska Housing Finance Corporation.
- SEF provides maintenance, repair and servicing of state equipment at maintenance and operations shops, remote rural airport stations, and roadside locations throughout Alaska. Preventive maintenance, safety and vehicle emission inspections, parts procurement, and inventory control are provided. Equipment condition is evaluated for the replacement program. New vehicles, equipment, and attachments are received, checked in, made ready for service, and issued to using agencies.
- SEF contracts for vehicle fuel credit card systems for use by state agencies.
- SEF headquarters also develops the specifications for and purchases new equipment and vehicles for all executive branch agencies, and provides administrative support including, but not limited to: policies and procedures, rate setting, computer systems, and training.
- SEF evaluates excess equipment and sells it at auction, negotiates sales to cities and boroughs, or assigns it to an appropriate alternative use.

End Results	Strategies to Achieve Results
A: Improve customer satisfaction with DOT&PF fleet services. <u>Target #1:</u> Increase customer satisfaction with DOT&PF fleet services by 5% from prior year. <u>Measure #1:</u> Percent change in customer satisfaction with DOT&PF fleet services based on survey of customers. (Rating of 4 and above on a scale of 1 to 5, with 5 being best).	A1: Improve the quality of DOT&PF fleet services. <u>Target #1:</u> Increase all wet vehicle uptime by 2%. <u>Measure #1:</u> Percent change in uptime from prior year for all wet vehicles. <u>Target #2:</u> Reduce the average number of days from purchase requisition to purchase order for capital purchases to 75 days. <u>Measure #2:</u> Average number of days from requisition to purchase order for fleet purchases.
End Results	Strategies to Achieve Results
B: Reduce the annual lifecycle cost of the fleet. <u>Target #1:</u> Reduce the annual lifecycle cost of the fleet by 5%. <u>Measure #1:</u> Percent change in annual lifecycle fleet cost compared to the prior year.	B1: Provide efficiencies to reduce fleet costs. <u>Target #1:</u> Increase preventive maintenance compliance by 5%. <u>Measure #1:</u> Percent change in preventive maintenance compliance as compared to prior year. <u>Target #2:</u> Increase scheduled maintenance to 50% of total maintenance cost. <u>Measure #2:</u> Percent of scheduled maintenance compared to total maintenance costs. B2: Carry out safe DOT&PF operations.

	<p><u>Target #1:</u> 10% increase in employees successfully completing required safety training.</p> <p><u>Measure #1:</u> Percent of employees completing required safety training.</p>
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FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$28,179,100

Personnel:

Full time	165
Part time	2
Total	167

Performance Measure Detail

A: Result - Improve customer satisfaction with DOT&PF fleet services.

Target #1: Increase customer satisfaction with DOT&PF fleet services by 5% from prior year.

Measure #1: Percent change in customer satisfaction with DOT&PF fleet services based on survey of customers. (Rating of 4 and above on a scale of 1 to 5, with 5 being best).

SEF customer satisfaction rates

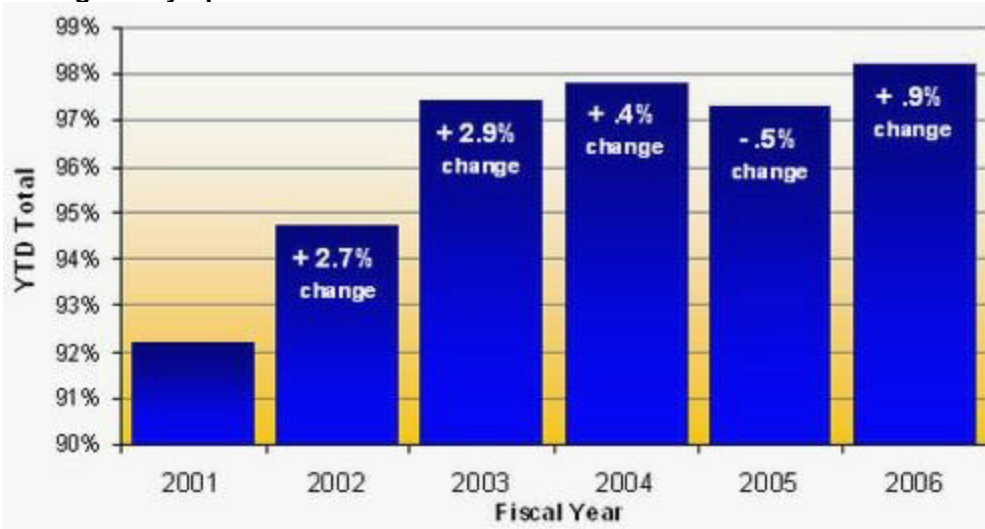
Fiscal Year	Average Score	% Change
FY 2004	4.5	
FY 2005	4.8	+7%
FY 2006	4.7	-2%

Analysis of results and challenges: The evaluation of customer satisfaction provides user agencies a method of direct communication regarding their concerns and issues while also working to educate the customer base about the fleet operation. This communication provides management with a list of positive and negative issues regarding the actual service level or customer satisfaction. Through an ongoing web based survey system, the department seeks feedback on the staff's courtesy, maintenance quality, timeliness, and relaying of information on services provided and general advice. To increase the response, SEF has placed the forms on their website; distribute to customers when vehicles are picked up from the shops and during the procurement process for replacing assets. The forms are also handed out during our annual user meetings statewide. The receipt of completed surveys continues to be a challenge; however, SEF will maintain communication through the customer service agreements and web information site to increase the percentage of survey forms received in future fiscal years.

A1: Strategy - Improve the quality of DOT&PF fleet services.

Target #1: Increase all wet vehicle uptime by 2%.

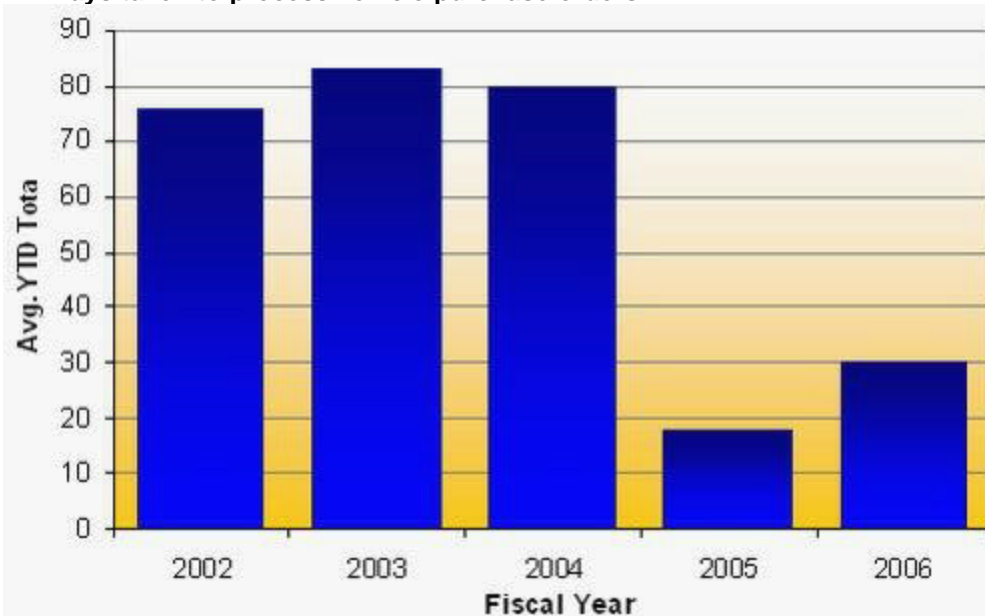
Measure #1: Percent change in uptime from prior year for all wet vehicles.

Light duty uptime in urban areas

Analysis of results and challenges: SEF is responsible for the overall management of the state's vehicle and equipment resources. It is a service organization providing equipment support services to all state agencies. Equipment can't perform its function when it is down for any reason. Fleets must manage this parameter. Downtime of a vehicle can be affected by staffing levels, parts availability, and adequate staff training. Since vehicles are taken offline in order to perform scheduled preventive maintenance, 100% uptime is unattainable.

Target #2: Reduce the average number of days from purchase requisition to purchase order for capital purchases to 75 days.

Measure #2: Average number of days from requisition to purchase order for fleet purchases.

Days taken to process vehicle purchase orders

Analysis of results and challenges: SEF is the sole procurement authority for vehicles for executive branch agencies. Responsiveness to the purchasing needs of its customers can be measured by the amount of time it takes to change purchase requisitions into purchase orders.

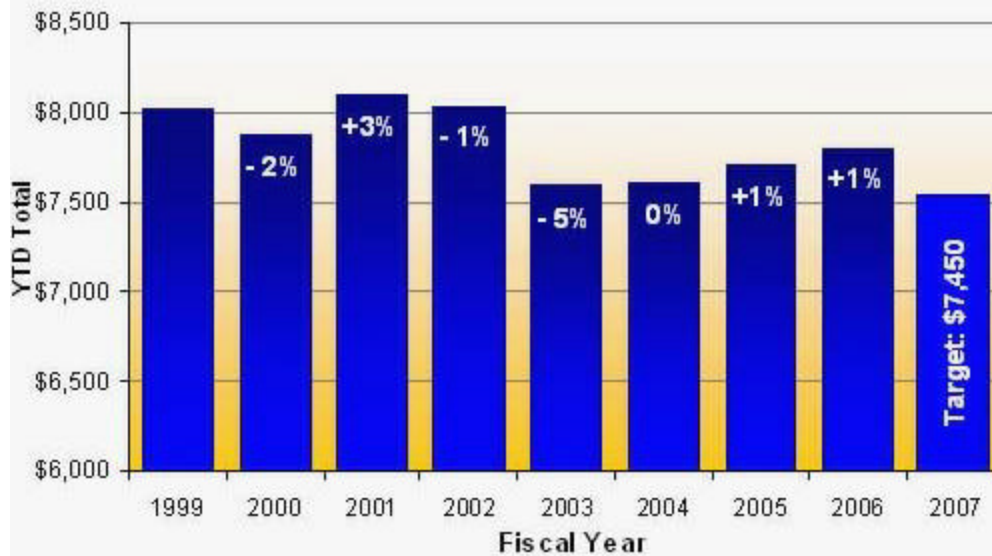
The department has continued to reduce the processing time for these purchases. Initiatives include contracts for repeat purchases, increased communication with user departments and training staff on specification writing for individual procurements. The average for FY05 was affected by the moratorium on new equipment purchases, but the procurement group kept the average low during the catch up year with the initiative improvements.

B: Result - Reduce the annual lifecycle cost of the fleet.

Target #1: Reduce the annual lifecycle cost of the fleet by 5%.

Measure #1: Percent change in annual lifecycle fleet cost compared to the prior year.

Life cycle fleet costs



Analysis of results and challenges: Whether they are managing a private or government fleet all managers have a common interest in the cost of operating the equipment in their control. Management has the responsibility to ensure vehicle costs are reviewed, goals are established, and comparisons are made with prior years.

Components to life cycle cost trends include: general inflation, labor contract provisions, rate methodologies, organization, depreciation, SEF labor, repair parts, and fuel prices. In FY2005 the Z status and those vehicles over the 100% maintenance threshold were made billable.

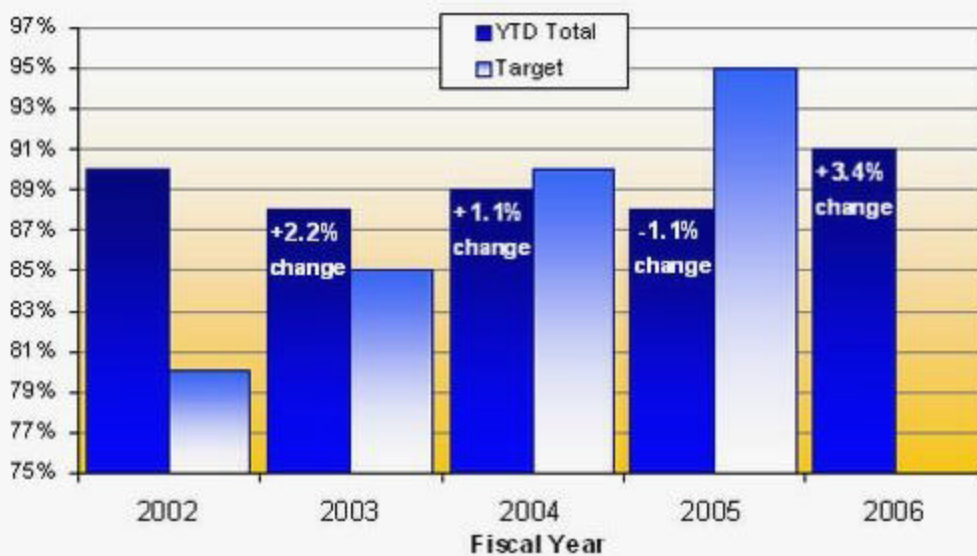
Data in table represents the annual life cycle cost of an average fleet asset.

B1: Strategy - Provide efficiencies to reduce fleet costs.

Target #1: Increase preventive maintenance compliance by 5%.

Measure #1: Percent change in preventive maintenance compliance as compared to prior year.

Preventative maintenance compliance



Analysis of results and challenges: State Equipment Fleet continues to track preventive maintenance (PM) activities. As of early October, 2006, the Districts are experiencing from 85 to 96 percent compliance with preventive maintenance schedules. The PM compliance goals by fiscal year increased from FY2002—80 percent, FY2003—85 percent, FY2004—90 percent, to an annual average of 95%.

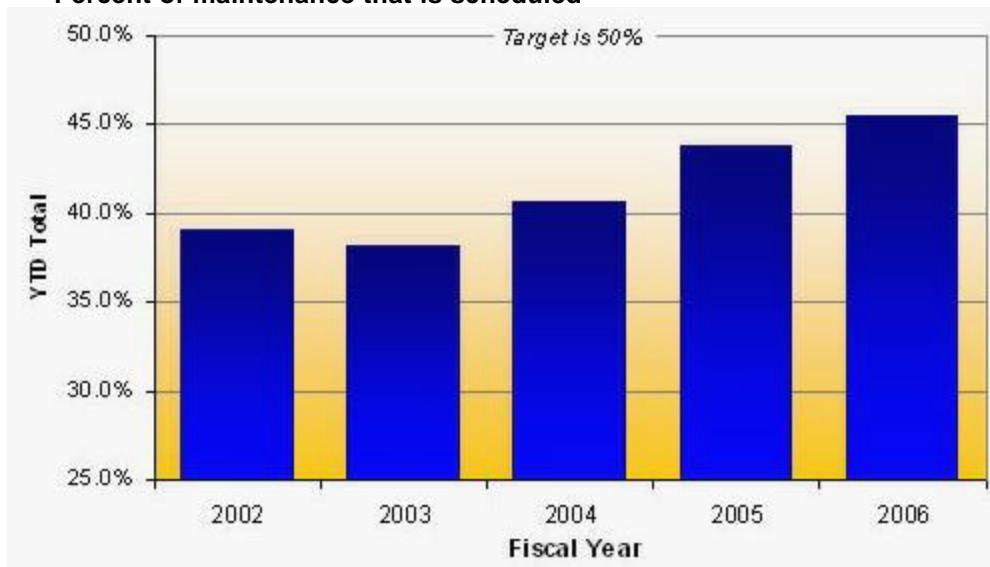
Preventative maintenance is a critical aspect of efficient fleet management. Regularly scheduled service and inspection of vehicles and equipment is the cornerstone of maintaining fleet safety, maintaining maintenance and operation integrity, and controlling maintenance costs. The main components of a preventive maintenance service program are regularly pre-determined inspections including lubrication and service. Adherence to these schedules will help extend machine service life, improve availability and reliability, and reduce major component repair and replacement expenses.

Barriers to reaching or surpassing this measure include: The failure of the user agency to bring the vehicle in for preventive maintenance when requested by State Equipment Fleet and the inability of the user agency to bring the vehicle in if it is being used during the state's limited construction season. The latter can be alleviated by scheduling non-critical preventive maintenance at the end of the construction season or during the winter months when the vehicle is not in use. In FY2006, agencies could view their preventive maintenance schedule on the fleet website, including due and overtime units. In FY2007, SEF will develop an online preventive maintenance system for customers and district shops.

Target #2: Increase scheduled maintenance to 50% of total maintenance cost.

Measure #2: Percent of scheduled maintenance compared to total maintenance costs.

Percent of maintenance that is scheduled



Analysis of results and challenges: The amount of scheduled maintenance is an indicator of the amount of control that management has over the inspection and repair of the fleet. This is mostly a preventative maintenance compliance and quality issue. Both can be improved through SEF management attention. Education of users is being implemented to improve preventative maintenance compliance. In general, management and supervision should be scheduling 50 percent or more of the workload. Initiatives put in place to increase the preventive maintenance compliance will have a direct effect on this target as well.

The Equipment Management System and work orders have been modified to track all scheduled maintenance activities. This will allow for improved tracking of non-scheduled vs. scheduled maintenance.

B2: Strategy - Carry out safe DOT&PF operations.

Target #1: 10% increase in employees successfully completing required safety training.

Measure #1: Percent of employees completing required safety training.

Percent of employees completing training

Fiscal Year	YTD Total
FY 2003	11.5%
FY 2004	10.9%
FY 2005	75%
FY 2006	85%

Analysis of results and challenges: Seeing an increase in accidents and workers compensation claims, the department undertook a review of the safety program in 2002. The result was the production of a new safety manual that includes required safety training elements. The new manual became policy in 2003. Previously, each region, section and safety officer within the department held training events including periodic safety meetings and briefings on new equipment and procedures as needed. Increased funding may be necessary for travel, lodging and additional equipment to comply with the employee specific job training requirements. Required training is expected in other areas, e.g., homeland security drills, etc.

Required safety training, as identified in the safety manual, is being implemented over a 5 year period. Through additional safety training, we expect a reduction in work related injuries and workers compensation claims.

This is a new measure that has required time and resources to identify and document required baseline information. The FY03 and FY04 data relates to employees' participation in department safety meetings. SEF established a training database in late FY06 to better track all training employees receive throughout the year. Future data will look at all required safety training.

Key Component Challenges

Personnel costs increased 6.7% between FY2005 and FY2006, along with travel, contractual and commodities costs. The latter due to increases in fuel and manufactured goods. The challenge is to sustain our cost base to our customers despite rising costs in personnel, fuel and manufactured goods.

The amortization periods for heavy trucks and off road equipment was typically 12 to 15 years; however, in FY2006 we began to decrease these periods in areas where we are experiencing higher use and higher maintenance costs. These long depreciation periods also make it difficult to predict the replacement cost of the equipment which has increased substantially. Inflation, advancement in equipment specifications and technology, buying larger equipment to do multiple jobs, and government regulation all have a hand in this. In 1990, the book cost of the SEF fleet was \$99 million. In 2006, it was \$185 million, an increase of 86.8 percent. It is difficult to keep up with these ever-increasing replacement costs.

In the past, depreciation was the fastest growing component of SEF's cost structure. Growth slowed in 2005 due to increased amortization lives to a portion of the fleet, decreasing the growth to 2% over the five year average. The same was experienced in 2006 with a nominal increase of 2.7%.

SEF will continue to monitor asset amortization periods; however, it is difficult to reduce depreciation costs without adversely affecting maintenance costs as vehicles are kept for longer periods of time. It continues to be a challenge to find a balance between acceptable maintenance costs and reduced depreciation expenses.

As customer agencies increase their missions in areas such as road maintenance and public safety, it has resulted in higher usage rates on the vehicles and an increase in the number of wheeled assets in operation. As usage increases, so does the demand for preventive maintenance.

The workforce of mechanics is aging and retiring. Finding skilled, qualified mechanics is becoming increasingly difficult as salaries and benefits in the private sector have surpassed the state. A general trend across the state and nation is that young people are not flocking to the trades so those that do have greater opportunities in either the private or public sector.

Significant Changes in Results to be Delivered in FY2008

No significant changes are anticipated.

Major Component Accomplishments in 2006

- 89 bids were awarded and the program received 356 new vehicles.
- Awarded 20 new contracts for fleet vehicles, equipment and parts for best pricing and quicker replacement time.
- Disposed of 387 surplus vehicles.
- Finalized reorganization of State Equipment Fleet positions through reclassification process to more efficiently assign job duties to personnel to accomplish the divisions' responsibilities.
- Developed two user agreements with operating departments.

Statutory and Regulatory Authority

AS 44.42.020 Department of Transportation and Public Facilities, Powers and Duties
AS 44.68.010-040 Use of State-Owned Vehicles
AS 44.68.210-250 Highway Equipment Working Capital Fund
AS 44.68.270-280 Transfer of Equipment to Political Subdivisions

Contact Information

Contact: Frank Richards, Statewide Maintenance & Operations Engineer

Phone: (907) 465-3906

Fax: (907) 586-8365

E-mail: Frank_Richards@dot.state.ak.us

State Equipment Fleet Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	12,775.8	14,036.7	15,831.2
72000 Travel	555.8	527.8	527.8
73000 Services	3,341.6	3,116.1	3,131.9
74000 Commodities	8,220.7	8,668.2	8,668.2
75000 Capital Outlay	-2.5	20.0	20.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	24,891.4	26,368.8	28,179.1
Funding Sources:			
1026 Highways/Equipment Working Capital Fund	24,891.4	26,368.8	28,179.1
Funding Totals	24,891.4	26,368.8	28,179.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Manageme nt Plan	FY2008 Governor
<u>Unrestricted Revenues</u>				
Unrestricted Fund	68515	38,757.0	33,449.6	32,891.1
Unrestricted Total		38,757.0	33,449.6	32,891.1
<u>Restricted Revenues</u>				
None.		0.0	0.0	0.0
Restricted Total		0.0	0.0	0.0
Total Estimated Revenues		38,757.0	33,449.6	32,891.1

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	0.0	0.0	26,368.8	26,368.8
Adjustments which will continue current level of service:				
-Transfer Highway Working Capital Funds from Northern Region Highways and Aviation	0.0	0.0	15.8	15.8
Proposed budget increases:				
-FY 08 Retirement Systems Rate Increases	0.0	0.0	1,794.5	1,794.5
FY2008 Governor	0.0	0.0	28,179.1	28,179.1

State Equipment Fleet Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	165	165	Annual Salaries	8,777,776
Part-time	2	2	Premium Pay	460,514
Nonpermanent	0	0	Annual Benefits	6,818,891
			<i>Less 1.41% Vacancy Factor</i>	<i>(225,981)</i>
			Lump Sum Premium Pay	0
Totals	167	167	Total Personal Services	15,831,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	1	1	0	0	2
Administrative Assistant	1	1	0	0	2
Administrative Clerk II	2	1	0	0	3
Administrative Manager II	0	1	0	0	1
Analyst/Programmer V	1	0	0	0	1
Contracting Officer II	1	0	0	0	1
Contracting Officer III	1	0	0	0	1
Equip Operations Analyst	3	0	0	0	3
Equip Operator Jrny III/Lead	0	0	0	12	12
Equipment Fleet Dist Manager	2	2	1	0	5
Equipment Fleet Maint Manager	1	0	0	0	1
Equipment Fleet Parts Manager	1	0	0	0	1
Mech Auto Adv Journey	17	16	3	65	101
Mech Auto Foreman I	0	0	1	0	1
Mech Auto Foreman II	2	2	0	6	10
Mech Auto Sub Journey	1	0	0	3	4
Procurement Spec I	2	0	0	0	2
State Equipment Fleet Manager	1	0	0	0	1
Stock & Parts Svcs Journey I	0	0	1	0	1
Stock & Parts Svcs Journey II	2	3	0	4	9
Stock & Parts Svcs Lead	1	1	1	0	3
Stock & Parts Svcs Sub Journey	1	1	0	0	2
Totals	41	29	7	90	167